

The Municipal Fire & Police Retirement System of Iowa

Report To

The Public Retirement Systems Committee

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INTRODUCTION

In consideration of the request of the General Assembly, the Board of Trustees of the Municipal Fire and Police Retirement System of Iowa (MFPRSI) respectfully submits the following report. The report is separated into six sections.

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|-------------|---|
| Section I | A brief description of the retirement System since its statutory creation in 1990 and a discussion of the goals for the consolidated retirement System. |
| Section II | A compilation of the accomplishments of the Board of Trustees and the retirement System's administration. |
| Section III | <p>A description of the plan and its programs:</p> <ul style="list-style-type: none">- Statistical information describing the retirement System- Summary of the plan benefits- Identification of the member cities- Description of the level of benefit activity- Description of the plan's assets & investment performance |
| Section IV | A discussion of the challenges facing the retirement System. |
| Section V | Recommendations for statutory change as proposed by the MFPRSI Board of Trustees. |
| Section VI | A profile of the current actuarial status of the plan. |

I. HISTORY OF THE RETIREMENT SYSTEM

In 1990, the Iowa General Assembly enacted legislation to consolidate the local fire and police retirement systems that existed in forty-nine cities. Effective January 1, 1992, the eighty-seven local fire and police retirement systems were consolidated into a single statewide System, the Municipal Fire and Police Retirement System of Iowa.

The System was placed under the direction of a Board of Trustees, which consists of nine voting members, serving staggered four-year terms, and four legislative members. The current membership of the Board is as follows:

- Four representatives of the membership: two fire & two police representatives
 - Marty Pottebaum, retired police officer, Sioux City
 - June Anne Gaeta, active fire fighter, Muscatine
 - Judy Bradshaw, active police officer, Des Moines
 - (Retired fire fighter - to be named)
- Four city representatives, representing the participating cities
 - Jody E. Smith, West Des Moines
 - Allen McKinley, Des Moines
 - Duane Pitcher, Ames
 - Cindy Kendall, Marshalltown
- A private citizen
 - Mary Bilden, Boone (CPA)
- Two Senators from the Iowa Senate and two Representatives from the Iowa House.
 - Senator Mary Lundby, Marion
 - Representative Paul Bell, Newton
 - Senator Wally Horn, Cedar Rapids
 - Representative Walt Tomenga, Johnston

I. HISTORY OF THE RETIREMENT SYSTEM (continued)

Through the consolidation of the local plans, the General Assembly sought to achieve certain goals for the pension program codified within Iowa Code Chapter 411. The initial goals, as understood by the System's Board of Trustees and administration, are described below with a statement of the results to date.

GOAL I. Consistent Application of the Benefit Statute

Result: Programs and policies established and uniformly applied to the entire membership, including the establishment of extensive legal and judicial definitions for the plan.

GOAL II. Improve the Assessment and Reporting of Benefit Liabilities (Actuarial Valuation)

Result: Actuarial assessments performed and reported annually to all parties. Periodic assessments conducted of actuarial assumptions and experience and adjustments made as warranted.

GOAL III. Strengthen the Financial Profile of the Benefit Plan

Result: Funding status of the plan has fluctuated in response to investment market changes and benefit plan modifications. The plan remains in a stronger financial position than the preceding plans.

GOAL IV. Improve the Performance on Portfolio Assets

Result: Established a comprehensive investment program and systematically review its activities. Performance has exceeded the actuarial assumed growth rate since inception.

GOAL V. Develop Statutory Recommendations

Result: Various recommendations have been proposed to and adopted by the legislature, including:
a) Technical changes, b) IRS Qualification, c) Escalator Program revision, d) VEBA concept, e) Disability Program Improvements.

II. ACTIVITIES OF THE SYSTEM

The pension System established by Iowa Code Chapter 411 performs the following functions on an ongoing basis:

- collection of member and employer contributions,
- disability program execution,
- compliance with federal and state legal requirements.
- pre-retirement and refund counseling,
- delivery of monthly benefit payments, and

In addition to the aforementioned primary activities, the System has undertaken various major activities since its creation in 1992. Major activities include those identified on the following list.

MAJOR PROGRAM ACTIVITIES

A. Review of Disability Program: In 1999 the Board of Trustees undertook a comprehensive examination of the disability provisions provided in the statute. Several recommendations were submitted to and adopted by the General Assembly in the 2000 legislative session. The System implemented each of the requirements established by the statutory changes. Effective July 1, 2003, the System established the following: 1) revised entrance medical examination protocols for the position of police officer and fire fighter, 2) a wellness program guideline for possible usage by the cities and the membership, and 3) a state-wide network of sites for the conduct of the pre-employment medical examinations. The Board has recently received comprehensive education on the disability program and the statutory provisions pertaining thereto, in particular, provisions pertaining to disqualification. Additionally, the Board has recently participated in an education workshop on 'Fiduciary Standards.

B. Investment Policy Revision: The Board of Trustees has regularly examined the long-term asset-liability forecast for the System, in consultation with the System's investment consultant and actuary. The most recent review occurred in 2006, which lead to revisions to the investment allocation policy of the System.

C. Investment Policy Implementation: Annually, the Board determines changes required to the individual portfolio components and directs the implementation of the changes through competitive bids (RFPs) to select additional or replacement investment managers, thereby, further diversifying the investment program (Distressed Debt Manager and a Tactical Fixed Income). The Board has received extensive briefings on specific investment concepts, in consideration of alternative asset classes. Additionally, the Board undertook efforts to invest in local real estate by the construction of a multi-tenant office building, a portion of which is occupied by the retirement System (completed and occupied in July 2007). The Board and Administration conducts regular scheduled reviews with the investment firms which manage the System's portfolios. Additionally, each month the Administration receives a periodic update from each firm via scheduled conference calls in addition to the comprehensive written reports provided by the firms as required by the contracts established by the System.

D. Review of System's Goals: The Board of Trustees in 2002 completed a re-examination of the Mission Statement and Goals it had previously established for the System and adopted a revised statement. At each of its meetings, the Board reviews the progress made toward accomplishment of the individual goals.

E. Study of Actuarial Assumptions: In consultation with the System's actuary (Silverstone Group) the Board has annually reviewed the impact of the actuarial assumptions and the plan's financial profile.

F. Legislative Changes: The Board has periodically recommended various technical changes to the governing statute for consideration by the General Assembly. Upon adoption, the System has implemented each changes.

G. Escalator Program Report: The Board of Trustees has periodically examined the financial impact of the current escalator program, which provides an annual cost of living increase for the majority of the retired membership. Consisting of a two-part formula, the escalator provides an acceptable level of increase. The average monthly increase effective in July 2007 was \$60.49 (2.7%).

H. Federal Legislative Interest in Public Funds: The System has continued to monitor and comment upon the potential actions of Congress pertaining to pension plans, in particular, regarding security law, corporate governance, tax law changes, and potential investment directives.

I. Litigation: The System has continued to represent the requirements of the plan document (Chapter 411) and applicable federal requirements before the Iowa Supreme Court and District Courts.

J. Benefit/Contribution Analysis: In response to legislative inquiries and requests from the membership associations and the Iowa League of Cities, the System has prepared and submitted reports on the financial impact of various benefit and contribution concepts. Beginning in 2004, the Board began evaluating the concept of a Deferred Retirement Option Program (DROP) in response to a request from the member associations and members of the Iowa Senate. The Board performed, in consultation with the System's actuary, financial assessment of DROP program concepts and submitted a plan design to the legislature at its request, without preference. Upon adoption of the program, the System implemented the program provisions, effective April 1, 2007.

K. PPA of 2006: The Federal Pension Protection Act of 2006 (PPA) establishes a \$3,000 income tax exclusion for eligible retired public safety officers who elect to use a portion of their distributions from an eligible retirement plan to directly pay for qualified health insurance premiums. Following review of the requirements and interaction with the IRS concerning their interpretation of the legislation, the Board of Trustees adopted this program for the retired membership. The System implemented the program, effective with its September payroll to the retirees.

III. PROGRAM DESCRIPTION & STATUS

A. Membership Profile

The membership profile of the retirement system is outlined in the following Table (Silverstone Group - Actuary).

MEMBERSHIP PROFILE (July 1, 2007 Actuarial Report)		
Active Members:		
Number		3847
Average Age		40.2
Average Past Service		13.2
Annual Participating Payroll: Total	\$213,039,324	
Annual Participating Payroll: Ave.	\$55,378	
Non-Active Members With Deferred Benefits:		
Number		293
Average Age		44.3
Total Annual Benefits	\$4,325,868	
Annual Participating Payroll: Ave.	\$14,764	
Members & Beneficiaries in Pay Status:		
Number		3600
Average Age		67.8
Annual Benefit: Total	\$96,787,260	
Annual Benefit: Average	\$26,885	

III. PROGRAM DESCRIPTION & STATUS (Continued)

B. Benefit Program Description

A Chapter 411 benefit plan description is available from the System - *MFPRSI Member Benefit Handbook*. The retirement formulas established by Iowa Code 411.6, effective July 1, 2000 are as follows:

- Basic Service Retirement Formula (22 years of service): 66%
- Additional Credit (for up to 8 years beyond 22 years – 2% per year): 16%
- Maximum retirement formula with 30 or more years of service: 82%
- Basic Accidental Disability Retirement Formula (work-related)*: 60%
- Basic Ordinary Disability Retirement Formula*: 50%

* An individual retiring on disability is entitled to either the disability formula or the percentage payable corresponding to the number of years of service that the individual has earned.

C. Member Cities

The members of the retirement System are current and former police and fire personnel of forty-nine Iowa cities.

Ames	Ankeny	Bettendorf	Boone	Burlington	Camanche	Carroll*	Cedar Falls
Cedar Rapids	Centerville	Charles City	Clinton	Clive*	Council Bluffs	Creston	Davenport
Decorah	Des Moines	DeWitt*	Dubuque	Estherville*	Evansdale*	Fairfield	Ft. Dodge
Ft. Madison	Grinnell	Indianola*	Iowa City	Keokuk	Knoxville	LeMars*	Maquoketa*
Marion	Marshalltown	Mason City	Muscatine	Newton	Oelwein	Oskaloosa	Ottumwa
Pella*	Sioux City	Spencer	Storm Lake	Urbandale	Waterloo	Waverly	Webster City
West Des Moines							

* denotes police department only

III. PROGRAM DESCRIPTION AND STATUS (Continued)

D. Benefit Activity Since Creation of the System

The following Table compares the level of benefit activity (service and disability retirements & refunds only) since the creation of the System in 1992 to the level of activity in the 87 local systems. Actual activities of the retirement System have been substantially higher due to statutory and judicially established requirements.

Comparison of Benefit Activity		Experience Prior To Consolidation (Jan. 1987 – December 1991 – 5 yrs.)		Experience Since Consolidation (Jan. 1992 – June 2007 – 15.5 yrs.)	
		#	Avg. Per Year	#	Avg. Per Year
1.	Service Retirements	223	44.6	1053	67.94
2.	Disability Retirements(*)	278	55.6	671	43.29
3.	Refunds Paid	<u>0</u>	<u>0</u>	<u>954</u>	<u>61.55</u>
	Totals:	501	100.2	2678	172.77
Distribution of Disability Retirements					
a)	Accidental Disability (service)	238	47.6	551	35.55
b)	Ordinary Disability (non-service)	<u>40</u>	<u>8.0</u>	<u>120</u>	<u>7.74</u>
	Totals:	278	55.6	671	43.29

Exhibit I provides a breakdown of the System's total benefit activities (following page).

Exhibit II provides the disability retirement statistics for the plan (subsequent page).

[NOTE: A review of the disability rate experienced by MFPRSI versus the rate experienced at the 87 local systems shows that the Chapter 411 benefit plan has experienced an important reduction in the rate of disabilities. MFPRSI has experienced an average of 12 fewer disabilities per year in comparison to the experience at the local systems, a total of 191 fewer disabilities. The plan's liability costs have been favorably impacted by this lower rate of disability.]

EXHIBIT I

MEMBERSHIP ACTIVITY

	TYPE	Fiscal	92-94	95-97	98-00	01-03	04-06	2007	Total
MEMBERS	Service Ret.		140	238	152	253	198	72	1053
	Disability Ret.								
	Accid.		70	116	107	126	97	35	551
	Ordinary		11	28	24	27	22	8	120
	Denied		10	18	11	6	11	4	60
	Vested Into Pay Status		19	23	26	41	52	22	183
BENEFICIARY	Service Ret.		50	76	81	75	94	31	407
	Disability Ret.								
	Accid.		43	29	44	44	39	16	215
	Ordinary		8	9	7	10	6	1	41
	Vested Into Pay Status		5	6	7	10	13	3	44
	Accidental Death		3	4	6	3	4	1	21
	Ordinary Death		4	5	7	4	4	3	27
	Dependents		29	14	21	19	28	7	118
	Lump Sum		2	2	2	4	6	0	16
	Subtotal		394	568	495	622	574	203	2856
OTHER	Marital Property Orders								436
	Child Support Ord.								57
	IRS Levies								14
	Disability Re-examinations		7	16	16	19	25	6	89
	Refunds		108	149	204	180	235	78	954
	TOTAL ACTIVITY		509	733	715	821	834	287	4406

EXHIBIT II

MEMBERSHIP ACTIVITY – DISABILITIES

Beginning 01/01/92	Fiscal	92-96	97-01	98-00	01-03	04-06	2007	TOTAL
Disability Retirements:								
Accidental		70	116	107	126	97	35	551
Ordinary		11	28	24	27	22	8	120
Denied		10	18	11	6	11	4	60
Re-examination								89
Return to Work		2	1	3	0	2	1	9
TOTALS		93	163	145	159	132	48	829
Accidental Disability								
Ortho/ Non-Back		17	37	31	46	36	10	177
Back		17	29	39	27	23	13	148
Heart		28	27	22	40	25	8	150
Lung		5	15	11	6	5	2	44
Depression/PTSD/Stress		3	6	4	5	6	1	25
Cancer (Non-Lung)		0	0	0	0	0	0	0
Other		0	2	0	2	2	1	7
Total		70	116	107	126	97	35	551
Ordinary Disability								
Ortho/ Non-Back		2	3	6	5	5	3	24
Back		1	1	0	5	3	2	12
Heart		0	0	0	0	0	0	0
Lung		0	0	0	0	0	0	0
Cancer (Non-Lung)		0	2	0	0	1	0	3
Depression/PTSD/Stress		6	16	9	4	6	2	43
Other		2	6	9	13	7	1	38
Total		11	28	24	27	22	8	120

III. PROGRAM DESCRIPTION & STATUS (Continued)

E. Assets and Investments

The transfer liability from the local systems to the System at the initial transition date of January 1, 1992 was \$574,500.000 million. This dollar amount constituted the beginning asset value of the retirement System. Each of the 49 cities transferred assets to meet the liabilities as of that date or pledged future assets to meet the un-funded portion. The cities were granted a statutory right to amortize any un-funded portion of the liability. Four cities took advantage of this opportunity, each of which completed payment of the amortized liability prior to June 30, 1997. As of June 30, 2007 the market value of the System's assets has increased to \$1,953,600.000, an appreciation of \$1,379,100,000. Investment performance of the System's portfolio since inception of the fund has been as follows:

January 2, 1992 – June 30, 2007 (Annualized)	<u>1 year</u>	<u>3 years</u>	<u>5 Years</u>	<u>Since Inception</u>
Total MFPRSI Portfolio	18.9	14.9	13.5	9.6
Policy Index	17.8	13.2	12.0	8.7
Actuarial Assumption	7.5	7.5	7.5	7.5

The retirement System's asset allocation policy is provided on the following page. The assets of the System are invested in a diversified manner, with a performance return objective of 8.00% with an annualized rate of inflation of 2.25% and a Standard Deviation of 10.40%.

MFPRSI INVESTMENT POLICY

ASSET ALLOCATION POLICY*		Target Allocations		
US Equity		30.0%		
Non-US Equity		20.0%		
Real Estate		10.0%		
Alternative Equity		<u>10.0%</u>		
Total Equity Oriented Investments			70.00%	
US Fixed Income		12.0%		
Tactical Fixed Income		18.0%		
Cash		<u>0.0%</u>		
Total Debt Oriented Investments			30.00%	
POLICY DETAIL – COMPONENTS		Core	Alternative	Strategic
U.S. Equity Target		37.5%		37.5%
International Equity Target		25.0%		25.0%
Real Estate Target			50.0%	
Alternative Equity Target			<u>50.0%</u>	
Component Equity Target		<u>62.5%</u>	100.0%	<u>62.5%</u>
US Fixed Income Target		15.0%		
Tactical Fixed Income Target		22.5%		
Universal Fixed Income Target				37.5%
Cash Target		<u>0.0%</u>		<u>0.0%</u>
Component Debt Target		37.5%		37.5%

IV. ISSUES FACING THE RETIREMENT SYSTEM

A. INVESTMENT RETURN EXPECTATIONS

- 1) The Board of Trustees periodically conducts a review of the asset-liability profile for the plan including consideration of the asset allocation policy based upon long-term expectations for the equity and debt markets. As a result thereof, the plan's equity allocation target is established at 70.0%. This policy revision was developed in conjunction with the System's investment consultant. Assumptions utilized by the investment consultant project lower annual returns for the capital markets over the next ten years. The current allocation policy has a long-term annualized return expectation of 8.0%.

B. FINANCIAL STATUS OF THE PLAN

- 1) The substantive decline in the equity markets beginning in March 2000 and continuing through the first quarter 2003 lead to a decline in the funded status of the plan.
- 2) In accordance with the governing statute, the contribution rate for the cities was increased to meet the actuarial determined requirement.
- 3) Investment performance over the last three year period has been favorable, the funded status has improved over this period, and the cities contribution rate has declined.

C. FINANCIAL SUPPORT FOR THE SYSTEM

The System continues to request restoration of the full State funding for the benefits committed to in 1977, a change from the fixed dollar amount of \$2.7 million to a rate of 3.79% of earnable compensation. Additionally, payment by the State of the amount absorbed by the plan would restore over \$30 million to the assets of the plan.

IV. ISSUES FACING THE RETIREMENT SYSTEM (continued)

D. VETERAN'S REEMPLOYMENT RIGHTS

Members of the retirement System have been called to active military duty. A federal law, the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"), protects the reemployment rights of these individuals. Under USERRA and Iowa Code Chapter 411 the following requirements exist:

- 1) The member shall be restored to their prior position with full pay and benefits, adjusted as if they had not been called to active duty.
- 2) The member shall be granted membership service credit by the System for the period of military service.
- 3) Contributions shall be made by the employer to the retirement plan upon the return of the member to employment for the period of military service. The contributions shall be made without interest/earnings.
- 4) The member is exempt from making the member's contributions to the retirement plan for the period of military service.

Therefore, the retirement System is experiencing an additional cost for each of the returning members. As of September 2007, 152 members have been called to active duty. It is estimated that the cost to the System will range in excess of \$700,000 in lost contributions and earnings. Final determination of the financial cost to the System must await their return to their positions with the local police and fire departments.

E. IMPLEMENTATION OF PROGRAMS

The System has a number of program initiatives underway:

- 1) Periodic review of the medical protocols and activities of the medical examination network.
- 2) Continued refinement and evaluation of the investment program, including management of the activities of the investment firms currently managing the System's investment portfolios.
- 3) Development of legislative reports in response to Committee member requests .

V. RECOMMENDATIONS FOR STATUTORY CHANGES

MFPRSI (CHAPTER 411)

None at this time.

VI. ACTUARIAL REPORT

ACTUARIAL INFORMATION

The following information describes the actuarial status of the retirement plan as of July 1, 2007 as reported by the actuary for the System (Silverstone Group) and adopted by the Board of Trustees.

- 1) Actuarial Method "Aggregate Cost Method" Amortizes costs as a level percentage of pay over remaining careers of current members. The method does not separately calculate an actuarial accrued liability.
$$\frac{\begin{array}{l} \text{Contribution Rate Formula} = \\ \text{Present Value of Projected Benefits} \\ \text{less} \\ \text{Actuarial Value of Assets} \\ \text{less} \\ \text{Present Value of Future Member Contributions} \end{array}}{\begin{array}{l} \text{Divided by} \\ \text{Present Value} \\ \text{of Future Pay} \end{array}}$$
- 2) Contribution Rate Requirement (for July 1, 2007) will be implemented effective July 1, 2008.

- Estimated Earnable Compensation	\$213,039,324
- Estimated State's Contribution (\$)	\$2,745,784
- Estimated State's Contribution (%) (1977 benefit legislation)	1.29%
- Member's Contribution Rate (fixed by statute)	9.35%
- Actuarial Calculated Rate for Cities	<u>18.75%</u>
- 3) In accordance with Iowa Code Chapter 411.8, the cities' contribution rate is established annually, following the completion of the actuarial valuation, at the level required to fund the plan. Iowa Code Chapter 411 specifies the cities' contribution rate shall not be below 17%.

VI. ACTUARIAL REPORT (Continued)

4) Valuations of Assets and Liabilities (as of July 1, 2005)

- Market Value of Total Assets:	\$1,953,613,434
- Actuarial Value of Assets: (System utilizes four year rolling average to value assets for actuarial calculation.)	\$1,752,134,783
- Present Value of all Accrued Benefits:	\$1,825,902,983
- Interest Rate Assumption:	7.5%

Exhibit III Provides the actuary's calculation of the "Retirement System Liabilities & Contributions".

Exhibit IV Provides the actuary's calculation of the "Actuarial Present Value of Accrued Benefits".

Exhibit V Provides a summary of the actuarial experience of the plan over the last several years.

EXHIBIT III: RETIREMENT SYSTEM LIABILITIES AND CALCULATIONS

ACTUARIAL VALUATION RESULTS

Retirement System Liabilities and Contributions

<i>Present Value of Unfunded Future Benefits</i>	As of July 1	
	2006	2007
1. Actuarial Present Value of all Future Benefits		
a. Active members		
Service retirements	\$ 788,390,684	\$ 933,535,594
Ordinary disability	91,933,308	64,700,782
Accidental disability	246,030,676	172,914,868
Ordinary death	28,073,947	23,565,651
Accidental death	30,609,793	22,688,991
Withdrawal	<u>24,535,979</u>	<u>25,479,427</u>
Total Active	1,209,574,387	1,242,885,313
b. Inactive members		
Members receiving benefits	1,054,402,106	1,127,069,804
Deferred vested terminations	27,946,999	29,533,268
Refund of member contributions due	<u>145,938</u>	<u>157,929</u>
Total Inactive	1,082,495,043	1,156,761,001
c. Total Present Value of Future Benefits	2,292,069,430	2,399,646,314

<i>Present Value of Unfunded Future Benefits</i>	As of July 1	
	2006	2007
2. Actuarial Value of Plan Assets	1,528,572,608	1,752,134,783
3. Actuarial Present Value of Future Member Contributions	197,411,942	205,984,237
4. Present Value of Unfunded Future Benefits (1) – (2) – (3)	566,084,880	441,527,294

<i>Determination of Preliminary Total Contribution</i>		
5. Present value of future payroll of all covered members	2,111,357,666	2,203,039,969
6. Total (Cities plus State) normal contribution (4) ÷ (5)	26.81%	20.04%
7. Covered payroll	206,385,084	213,039,324
8. Preliminary total contribution from Cities and State (6) x (7)	55,331,841	42,693,081
9. Estimated State Contribution	2,745,784	2,745,784
10. Estimated State Contribution as a percent of payroll (9) ÷ (7)	1.33%	1.29%
11. Preliminary Cities' Contribution (8) – (9)	52,586,057	39,947,297
12. Cities' contribution as a percent of payroll (11) ÷ (7)	25.48%	18.75%
13. Minimum required contribution rate for Cities	17.00%	17.00%
14. Cities' contribution (Greater of 12 or 13) x (7)	\$52,586,919	\$39,944,873

EXHIBIT IV: PV OF ACCRUED BENEFITS (FUNDING RATIOS)

Actuarial Present Value of Accrued Benefits

	As of July 1	
	2006	2007
1. Present value of vested accrued benefits		
a. Present value of vested accrued benefits for active members	\$ 600,186,185	\$ 638,713,532
b. Present value of benefits for terminated members	28,092,937	29,691,197
c. Present value of benefits being paid to retirees and beneficiaries	<u>1,054,402,106</u>	<u>1,127,069,804</u>
Total	\$1,682,681,228	\$1,795,474,533
2. Present value of accrued non-vested benefits	34,880,791	30,428,450
3. Present value of all accrued benefits (1) + (2)	\$1,717,562,019	\$1,825,902,983
4. Market value of assets	\$1,658,428,273	\$1,953,613,434
5. Ratio of <u>market value</u> of assets to the present value of <u>all accrued benefits</u> (4) ÷ (3)	97%	107%
6. Ratio of <u>market value</u> of assets to the present value of <u>vested accrued benefits</u> (4) ÷ (1)	99%	109%

EXHIBIT V

ACTUARIAL SUMMARY REPORT

Actuarial Valuation Highlights

Valuation as of July 1 st		1999	2000	2001	2002	2003	2004	2005	2006	2007
Funded Status – ratio of market value of assets to present value of accrued benefits		107%	105%	91%	82%	80%	88%	92%	97%	108%
Asset Return · Market Value		9.80%	9.10%	-5.70%	-2.80%	5.20%	18.50%	12.20%	13.70%	18.90%
Asset Return · Actuarial Value		12.30%	10.90%	5.90%	2.10%	0.80%	3.10%	8.70%	12.70%	15.80%
Benefit Improvement		—			—	—	—	—	—	—
Assumption Changes		Mortality Increment 1, Salary, Retirement	Mortality Increment 1	Mortality Increment 1	—	—	—	Mortality Increment 1	Mortality Increment 3	Mortality Increment 1
Annual Contribution										
Members Contribution		9.35%	9.35%	9.35%	9.35%	9.35%	9.35%	9.35%	9.35%	9.35%
State Contribution		1.93%	1.79%	1.77%	1.63%	1.56%	1.47%	1.40%	1.33%	1.29%
Cities Actuarial Rate of Contribution		11.12%	15.36%	16.74%	20.48%	24.92%	28.21%	27.75%	25.48%	18.75%

Total – Including Actuarial Rate for Cities	22.40%	26.50%	27.86%	31.46%	35.83%	39.03%	38.50%	36.16%	29.39%
Total – Including 17% Minimum for Cities	28.28%	28.14%	28.12%	31.46%	35.83%	39.03%	38.50%	36.16%	29.39%
<i>Valuation as of July 1st</i>	1999	2000	2001	2002	2003	2004	2005	2006	2007
Increment in Actuarial Rate for Cities – increase (decrease) attributed to experience, benefit changes & assumption changes.									
Experience									
- Asset Return	-2.16%	1.12%	3.76%	4.49%	2.82%	-0.74%	-3.34%	-5.76%	n/a
- Actuarial Factors	-0.10%	-0.30%	-0.16%	-0.12%	0.38%	-0.36%	-0.79%	-1.10%	n/a
-State Contribution	0.14%	0.02%	0.14%	0.07%	0.09%	0.07%	0.07%	0.04%	n/a
Benefit Improvements	5.85%	—	—	—	—	—	—	-0.53%	n/a
Assumption Changes	0.51%	0.54%	—	—	—	0.57%	1.79%	0.62%	n/a
Net Change in Cities Actuarial Rate	4.24%	1.38%	3.74%	4.44%	3.29%	-0.46%	-2.27%	-6.73%	n/a